Professor Shotwell Urges Fellowships For Trade Research

Present Day Educational Needs Suggested at Columbia Conference

German Methods Cited

Industrial Sociology a Field That Would Repay Study, Says Educator

Professor J. T. Shotwell made some suggestions as to present day educational needs yesterday in response to Dr. Nicholas Murray Butler's invitation to members of Columbia University faculties to exchange views in a general conference. The suggestions will be published in the next issue of "The Columbia Quarterly."

"Let our merchant adventurers give fellowships in research in Persian oil fields," he said, "in Slavic sociology, in the history of the decorative arts among the rug-weaving villages of Asia Minor. Let them endow courses in comparative modern Oriental languages, in geography and anthropology.

"We have no institution in New York like that at Hamburg or those in other German centres to substitute scientific training for haphazard methods of international trade. The great American corporations maintain their own schools and send out their own bodies of explorers for raw materials and markets.

"The German cartel and the German banks have made possible a much less wasteful system, and now Britain, by way of its Imperial Development Board, with its recognition of the national value of scientific research, and the British Trade Corporation, with its generous credits for experimentation where the new Trade Intelligence Service recommends, is giving America an object lesson which New York, of all cities, must take to heart."

Industrial sociology, with the increasingly cordial relations between capital and labor, was another field which would repay study, Professor Shotwell declared. There was need also, he thought, of trained men to keep records of this age. It was absurd, he said, to attempt to write modern history without clear appreciation of the "dynamic factor" of the age—"applied science in control of nature."

As proof that no real appreciation of its importance existed he pointed to "the childish miscalculations of the strength of Germany in this war, based upon the statistics of man power," when Germany's true strength lay in its development of mechanical equivalents for man power.

Engagement Broken

Mr. and Mrs. William J. Conway, of 400 Union Street, Brooklyn, announce that the engagement of their daughter, Miss Isabel Conway, to Frank W. Woodcock, of 102 Gates Avenue, has been broken by mutual consent.

Public Robbed, Soaring Prices Not Justified

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companies through the increasing power of their low-cost competitors."

Excerpts from the commission's statement follow:

"Again, in the case of flour milling, it is apparent that while a government fixed price for wheat and allowance of a maximum margin of profit over cost on flour have had the virtue of stabilization, nevertheless, the profits resulting are heavy. Before the government interfered flour sold in 1917 with an average profit as high as 52 cents a barrel.

"After the fixation of the price of wheat and the determination of a maximum profit of 25 cents a barrel on flour the very high average profit a barrel dropped toward the maximum. While this decline in price did not bring it down to the maximum, that is, where the millers continued to exceed the government maximum, as they did in many instances, many of the millers were actuated by the hope that they would be allowed to include income and excess profit taxes in their costs and pass these taxes on to the consumer.

"However, if there had been a fairly general compliance with the maximum of 25 cents, the profits of the least efficient mills would have been considerable and those of the most efficient mills proportionately heavier. To the extent that the maximum price was exceeded the profits were larger, and in general were in fact very great.

The Coal Situation

"The situation in coal gives still another angle to the same problem. Maximum prices were fixed by territorial divisions. Many of the coal producers have not taken the maximum, but, owing to the fact that in a given field there is a very wide range in the cost of the coal produced in that field, it follows that certain low cost producers have made very large margins under the system of governmental-fixed prices for the field. Many high cost producers have made small margins. The bulk of the production, of course, enjoys the large margin. Information on the return of the investment, now being collated, will reveal the exact amount of profit. Percentages of profit worked out on investment will obviously be very large in the case of low cost companies.

"In this connection a survey of the petroleum field shows that the market, when under the control of dominating factors, such as Standard Oil, can be one of huge profits without the device of the high fixed price. No price for the public has been fixed on petroleum and its products by the government. Unlike the situation in steel, flour and coal, there has been as yet no government interference with the law of supply and demand except in the instances of government purchases. Under that law large profits may eventually be made through the bidding up of prices by anxious buyers. And, moreover, even in the absence of this element, prices may be forced up by spreading false and misleading information concerning the condition of supply and demand.

$140,000,000 in Profits

"Reports, for instance, have been circulated that the supply of gasolene was endangered for the purpose of maintaining the high price of that product and the heavy profits from it. At different stages of the oil industry different products of petroleum have yielded the heavy profits. Kerosene was once the chief profit producer. Gasolene followed and superseded it as the chief producer of profits. Enormous profits are now being made in fuel oil, with the advantage to the refiner that the high price of that product meets no popular challenge. Gasolene is maintained at its present high price and produces heavy profits for the low-cost refiners."

In this part of the report the meat packers are scored as follows:

"Similarly the power of dominant factors in a given industry in maintaining high prices and harvesting unprecedented profits is shown in a survey of the meat packing situation. Five meat packers—Armour, Swift, Morris, Wilson and Cudahy, and their subsidiary and affiliated companies—have monopolistic control of the meat industry and are reaching for like domination in other products. Their manipulations of the market embrace every device that is useful to them, without regard to law. Their reward, expressed in terms of profit, reveals that four of these concerns have pocketed in 1915, 1916 and 1917 $140,000,000.

"However delicate a definition is framed for 'profiteering,' these packers have preyed upon the people unconscionably. They are soon to come under further governmental regulation approved by executive order."

Cost Account Juggling

Cost account juggling in cases where the government fixes a definite margin of profit "has added to the volume of unusual profits. An instance of this practice was afforded by the Ismert-Hincke Milling Company, of Kansas City, Mo. This company padded its costs by heavily increasing all its officers' salaries and manipulating the inventory value of flour bags on hand. As evidence of the length to which padding can be carried, it may be added that this company even included in its costs the gift of an automobile, which it charged to advertising expense. This case was heard by the commission for the food administration. The commission recommended revocation of license and the recommendation was followed."

In reviewing various trade practices which it finds objectionable, the commission gives the American Metal Company, of New York, a black mark that offsets its credit as a technical nonprofiteer. This company is cited as an example "of high remuneration charged to expense account. Some of the salaries and tantieme (French for an interest, commission or proportional amount) are given as follows:

B. Hochschild, 61 Broadway, New York, chairman board of directors	$179,663.36
C. M. Loeb, 61 Broadway, New York, president	364,326.73
Otto Sussman, 61 Broadway, New York, vice-president, chief mining department	221,596.04
J. Loeb, 61 Broadway, New York, vice-president, chief sales department	147,930.69
T. Sternfeld, 126 West Seventy-fourth Street, New York, director and treasurer to June 30, 1917	86,342.90
Henry Bruere, 61 Broadway, New York, vice-president	82,810.23
Julian B. Beaty, 61 Broadway, New York, director and treasurer since June 30, 1917	77,710.23
H. K. Hochschild, 61 Broadway, New York, vice-president, chief South American department	51,810.23
H. V. Putzel, 61 Broadway, New York, director and chief of zinc ore department	52,510.23
M. Roos, 61 Broadway, New York, cashier and custodian of securities	79,065.35
S. Adler, 61 Broadway, New York, chief auditor and accountant	79,065.35
H. Bernstorff, 61 Broadway, New York, chief ore department	52,410.23
Sol Roos, 1625 Boatman's Bank Building St. Louis, manager St. Louis office	148,580.69
M. Schott, 825 A. C. Foster Building, Denver, manager Denver office	136,553.12
William Simon, 1625 Boatman's Bank Building, St. Louis, assistant manager St. Louis office	38,155.11

Prosperity Running High

Before submitting its findings in detail regarding certain industries, the commission says:

"In submitting the subjoined memoranda on the industries under consideration, the commission expresses the opinion that general trade, as the commission has opportunity to view it, is in a high state of prosperity. With some exceptions that condition has continued for several years. Many of the industries are making unusual profits, some are showing outrageous ones. In an hour of national service and self-sacrifice, profiteering may be defined not only as the taking of an exorbitant profit, but should include a refusal to share in bearing the burdens of war in the form of a reduction in profits when the profits have been large in pre-war times."

Concerning the steel industry, the report says:

"In 1917 the steel companies made abnormal profits in the period prior to the government price-fixing policy, and a number have continued to make unusually heavy profits since that policy was inaugurated. In finding costs in this industry for the War Industries Board the commission divided the steel makers into four groups: (1) The fully integrated mills; (2) the mills that start with the manufacture of pig iron; (3) the mills that start with steel furnaces, and (4) the mills that make rolled products from purchased semi-finished steel. The United States Steel Corporation is included in class one. Its profits, expressed in terms of the total amount invested in the business, shows net earnings as follows:

	Per cent.
1912	4.7
1913	5.7
1914	2.8
1915	5.2
1916	15.6
1917	24.9

Net Income Figures

The figures on the net income of the Steel Corporation, as shown by the company for the years 1912 to 1917, inclusive, before deducting Federal income and excess profits tax in 1917, follow:

1912	$77,075,217
1913	105,320,691
1914	46,520,407
1915	97,967,962
1916	294,026,584
1917	478,204,343

The Federal income tax and excess profit taxes of the Steel Corporation for 1917 were $233,465,435, which leaves from net income $244,738,908, of which about one-tenth was applicable to interest on bonds of the corporation and the rest available for dividends and surplus.

From information in possession of the commission, mills in Class 2 appear to have made heavy profits in 1917. Recently mills in Class 3 made objection that the government prices were too low for them. A special examination of their profits by the Federal Trade Commission showed that in almost every case these objecting mills were enjoying unusual returns. The following table of percentage of return on investment in ten mills in Class 3 will show the profits in 1917:

Allan Wood, Iron and Steel Co.	52.63
Allegheny Steel Co.	78.92
American Tube and Stamping Co.	40.03
Central Iron and Steel Co.	71.35
Eastern Steel Co.	30.24
Forged Steel Wheel Co.	105.40
Follansbee Bros. Co.	112.48
Nagle Steel Co.	319.67
West Penn Steel Co.	159.01
West Leechburg Steel Co.	109.05

Mills in Class 4, which buy semi-finished steel and convert it into the more highly developed steel products, have enjoyed substantial profits.

Large Copper Earnings

The findings as to the other industries reveiwed are in part as follows:

"Very large earnings are found to have been made in the copper industry, partly due to the unusually heavy demand almost exclusively for war purposes. The average profit in 1917 on investment was 24.4, the highest being 107 per cent. Seventy per cent of the companies made better than 20 per cent, as against an average profit of 11.7 in 1913. These are net profits after paying excess profit taxes. There was no concerted action in this industry to put up prices, the war scramble among the Allies being the original cause. Strong interests, however, have taken steps to maintain prices at high levels."

The American Smelting and Refining Company is charged with continuing to hold in force certain deductions for the risk of carrying copper bought from the mines, though the risks have ceased since prices were fixed. Their present maintenance is held to be profiteering. On the other hand, some of the large companies are operating at a loss on account of long term contracts, which have now become exceedingly disadvantageous to them.

As to zinc, most of the evidence before the commission indicates no unusual profits, though they are very large, being for the New Jersey Zinc Company, 72.5 per cent in 1916 and 56 per cent in 1917. This company is forced by circumstances to take large profits. It has the monopoly of certain high grade ores, but it connot sell for less than the price of its lean ore competitors.

In nickel the International Nickel Company being the dominating factor, the commission finds that prices have been maintained on pre-war level. The increased demand and output are responsible for the company's increased earnings, which are given as 30 per cent in 1917.

Sulphur Prices Raised

The two companies that produce all the sulphur in the United States are the Freeport and the Union. They are making $18 to $25 a ton profit. The Freeport company made a profit for eleven months of 236 per cent on the investment. These companies "have taken advantage of the existing situation to raise their prices."

The commission finds no unusual or excessive profits in the lumber industry, whether on the Pacific Coast or in the South, though the margin of profit for 1,000 board feet was $4.83 in 1917, as against a fair ordinary profit of $3.

The bituminous coal operators, generally speaking, had much larger margins in previous years. Twenty-three typical companies of the central Pennsylvania field made 20 cents a ton in 1916 and 90 cents in 1917. The highest margin was $1.85. Most of the coal was sold under contract before the government fixed the price and averaged much better than that price.

Anthracite coal prices at the mine increased 64 cents a ton between 1914 and 1918, but as against this are increased costs of production.

The average profit on the investment in the oil industry is 21 per cent, which is a considerable increase over prewar profits. Estimated profits for this year range from 4.7 to 70.4 per cent, as between the highest and lowest companies.

Meat Packers Accused

The meat packers are accused of quadrupling their profits on an increase of 150 per cent in volume. This applies to the four firms of Armour, Swift, Cudahy and Morris, Wilson being omitted. Their total profits for the three war years, 1915-1917, are given as $140,000,000, of which $121,000,000 represents excess over pre-war profits. Based on net worth, however, 1917 profits are only 18.7 per cent, as compared with 7.3 for the average of three years before the outbreak of the war in Europe.

In the leather business it is found that a large proportion of the tanners made unusual profits in 1917. In 1916 profits were as much as six times as large as in 1914. Prices were advanced rapidly during 1917, though great supplies of hides were withheld from the public. Shoe wholesalers and retailers obtained larger margins of profit in 1917 than in 1916, the retailer more than the wholesaler.

"In this connection some interesting intra-company correspondence of Armour & Co. and Swift & Co. concerning their leather business is published to show the immense size of the profits and the attitude of the latter company in regard to the suggested government regulation of profits.

"Notwithstanding price regulation in the latter part of 1917, the price of flour was exorbitant in 1917, the profit to the miller being 45 cents a barrel, as against the government margin of 25 cents. The former was three times the normal. Flour jobbers realized nearly 50 cents a barrel in the first half of 1917, as against 15 cents a barrel prior to 1915.

Swift & Co. Deny Trade Board Charge Of Profiteering

Swift & Co. gave out in this city last night the following statement by Louis F. Swift in reply to charges made yesterday in the report of the General Trade Commission:

"Swift & Co. absolutely deny the sensational charges again made by the General Trade Commission, wherein this company, together with the other large packers, is accused of manipulating prices without regard to law and of unconscionably preying upon the people by exacting unfair profits. We hope that the public will at least reserve judgment until the complete facts of the situation are put forth and until those accused have had a chance to explain these facts in their true light.

"To accuse essential industries of manipulating prices and of using illegal devices is a serious charge and one that should not be carelessly made by a government department.

"Swift & Co. stand ready to convince any unprejudiced person that they are in active competition with all other packers; that they have no power over prices; that they could not manipulate prices even if they desired, and that they have carefully observed the law in every respect.

"As for the accusation that the large packers have been profiteering, Swift & Co. admit that their profit has been much greater during the last two or three years than previous to the war, but they are ready to defend those profits as not only fair and reasonable but as absolutely essential to the proper and efficient conduct of the packing business.

"A distinction should be made between industries which make a clear cash profit that can be distributed in the form of dividends and an industry that pays only reasonable cash dividends and has to put the rest of its profit back into the business.

"In the case of Swift & Co. a large proportion of the profits has had to remain in the business in order to finance operations and to maintain efficiency by the addition of facilities and improvements. This has been particularly necessary during the last year or two because of the increased volume of business and the large stocks of meat carried, due to war conditions and demands."

"Even with these larger profits it has been difficult to finance our business at the extremely high prices prevailing for livestock, labor and supplies, and we recently have had to issue more capital stock for the sole purpose of raising more money.

"The trade commission has made one very serious error in the figures it presents, which gives the public a totally wrong impression of the recent profits in the packing business and does the packers a great injustice. The report says that the five large packers made a profit of $140,000,000 during the three years 1915, 1916 and 1917, as against $19,000,000 during the three years before the war, thus showing an increase of $131,000,000.

"The commission has compared a three-year profit with a one-year profit, and the $19,000,000 should have been $57,000,000, thus showing an increase of $83,000,000, instead of $131,000,000.

"This profit is not out of line with the increase in sales due to the high level of prices and increased output of meat products. There might be some justice in saying that the packers had preyed upon the people unconscionably if it could be shown that their profits had raised prices of meats to consumers or lowered the prices of livestock to producers.

"Swift & Co. are living up to this regulation conscientiously. It should be borne in mind that the profit limitation applies only to the meat business and that part of Swift & Co.'s profit is derived from outside industries which the government is not regulating.

"The reference in the Trade Commission's report to extremely high salaries does not apply to this concern. We are willing to defend the salaries paid to our officials at any time, and to prove that they are reasonable as compared with those paid in other businesses of equal magnitude and responsibility.

"Neither the statements that commercial bribery has been resorted to, that fictitious values are put on raw materials and that inventories have been manipulated apply to Swift & Co. We have developed as complete and as scientific an accounting system as we could, and we have nothing to gain by falsifying our accounts. The insinuation that the packers have made enormous profits in hides and have manipulated the price of leather is also misleading and untrue.

"In the first place, the large packers have no monopoly power over the hide market or the leather market, and hence cannot manipulate prices. During 1917 the supply of hides was larger than ever before in the history of the country. And the demand did not increase apace. As a result the prices of hides fell greatly during 1917 and many hides were sold by the large packers at a loss.

"Swift & Co. has not hoarded hides, but has sold them as rapidly as the market could absorb them.

"Swift & Co. deeply resent the spirit and the manner in which this report has been issued. It was issued for release at noon Saturday, a time when the officials in many businesses have closed their desks for the week and are usually not on hand to answer sensational and unfounded charges tended to throw suspicion about an essential industry which it is publicly recognized has fulfilled tremendous war demands from the beginning perhaps better than any other industry in the country.

"It is not fair to harass honestly conducted industry that is straining every effort to meet these tremendous obligations to our own and Allied governments."

Packers Declare Profiteering Charge Is Wholly Untrue

CHICAGO, June 29.—Armour & Co. to-day issued a statement referring to the report of the Federal Trade Commission, for which Francis J. Heney was attorney, as "designed to impress the headline readers."

"The charge of monopoly is simply the old cry against a business because it is big. If a profit of one-quarter of a cent on a pound of product, which a government audit shows we make, is profiteering, then there is no honest business in the world, for no successful business in the world makes a smaller profit per unit of product," says the statement.

"This is an unfortunate time for one branch of the government to come out with such a report when another branch, between January 1 and June 1, has called on Armour & Co. to supply our forces abroad and those of our allies with food products of a value of more than $100,000,000. The magnitude of these orders compelled us to find new working capital."

Morris & Co. to-day issued the following statement:

"In the statement of the Federal Trade Commission as to the profits of Morris & Co., the figures given are misleading and are absolutely incorrect. The profit of 263.7 per cent for the three-year war period is evidently figured on a nominal capital of $3,000,000 and not on the capital invested, while the pre-war profit of 8.6 per cent was figured on the total investment. During 1917 our investment was in excess of $38,000,000 and our profit was 14¼ per cent on this investment, and not 263.7 per cent, as stated.

"The average profit on investment for the last three years was 10.95 per cent."